MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

BAE2014 – SEMINAR IN ANALYTICAL ECONOMICS

(All Sections/Groups)

09 MARCH 2020
9am to 11 am
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of **FIVE** pages with **FOUR** questions only.
2. Attempt **ALL FOUR** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

Answer all questions in the answer booklet provided.

Question One (25 marks)

Passage 1

The empirical evidence from a growing body of academic literature and reports from government institutions clearly suggests that oil price increases dull macroeconomic growth by increasing inflation and unemployment and depressing the value of financial and other assets, at least in oil importing nations (Awerbuch and Sauter, 2003). In developing countries, oil prices not only negatively affect economic growth but further affect the consumption balances of households, the poor farmers in rural areas and the transporters in urban areas (Kiani, 2011). In terms of unemployment, it has positive effect in those countries because of high cost of production which also causes high cost of inputs and later increases unemployment rate (Ahmad, 2013).

Starting in 2014, the negative oil price shock (and declining oil revenue) also caused a recession in Azerbaijan (from 2% in 2014 to 1.10% in 2015 and −3.10% in 2016). That influx of cash was accompanied by two currency devaluations and a decade of economic problems outside of the oil sector (Mukhtarov et al., 2019a; Mukhtarov et al., 2019b). The commodity crash in 2014 saw prices for Azeri oil go from over USD 100/barrel in 2014 to just over USD 50/barrel in 2015. At that point, ordinary people started feeling in their own lives the volatility resulting from an economic dependence on resource revenues.

This study is to examine the impact of oil price fluctuation on different macroeconomic variables such as economic growth, exchange rate, inflation and export using quarterly data which cover both the boom and dumped periods of oil prices in the case of Azerbaijan. In addition, to our best knowledge this is the first study that investigate the relationship between oil price and selected macroeconomic variables all together employing time series techniques. Finally, It is the first study using quarterly data which cover the period after devaluation for assessing the long-run effect of bank credits on non-oil GDP in Azerbaijan. Finally, this also can be considered the first study covers the period after devaluation that assess oil price changes effect on the economy of Azerbaijan.

Akinlo and Apanisile (2015) examined oil price shocks on economic growth for sub-Saharan African countries.The research results showed that the oil price has a positive effect on economic growth in the countries which are oil exporters. Tang et al. (2010) indicated that when oil price rises it has negative effects on output and investment in the case of China. He also found that oil price affects inflation and interest rate positively

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Zhao et al. (2016) implemented dynamic stochastic general equilibrium method to investigate the effect of oil price on CPI. The result showed that oil supply shocks lead to long-term inflation in China's economy Chen and Chen (2007) analysed the long-term impact of oil price on exchange rate by using panel co-integration tests in G-7 countries. Their empirical study revealed that the real exchange rates volatility mainly was affected by the oil price shocks.

After reviewing the related studies devoted to the investigation the impacts of oil prices on economic variables, we can say that the oil prices shocks have a significant effect on economic variables for oil-rich economies. In the outcomes of the above-mentioned studies, there is a few study related the relationship between the oil prices and economic variables in the case of Azerbaijan. Therefore, the main purpose of this paper is to fill in this gap by employing impulse-response and variance decomposition tests to observe the relationship between oil prices shocks and macroeconomic variables. For empirical analysis, we uses quarterly data over the period 2001:Q1-2018:Q4 for the, economic growth (GDP), Brent crude oil price (OP), inflation (CPI), exchange rate (EXC) and export (Ex) in this study

Source: Shahriyar *(2019). The title of this article is not provided due to the nature of the exam question.* International Journal of Energy Economics and Policy, *10(1), 67-80*

Based on **Passage 1**, answer the following questions.

(a) Suggest a suitable title for **Passage 1**. (3 marks)

(b) Identify any **five** variables used in this study. (5 marks)

(c) Suggest a research objective that is most likely studied by the author. (5 marks)

(d) Based on your answer in (b) express the econometric methods that may be employed to conduct the study. (7 marks)

(e) What are the contributions of the study? (5 marks)

Question Two (25 marks)

(a) Discuss the application of Multivariate techniques in research. (15 marks)

(b) Discuss the importance of Literature Review in research. (10 marks)

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Question Three (25 marks)

Passage 2

Refer to the Abstract and Literature Review and answer the following questions.

Abstract:

Changes of climate and pollution globally have been the most concerning issue in the recent decades. The negative impacts of climate change and pollution towards the environment and human well-being have been significantly concern. Among them, Malaysia has been actively involved in looking for solutions to reduce the environmental degradation issues lately. This study adopted the extended theory of planned behaviour, norm activation model and Maslow's Hierarchy of Needs in examining the comprehensive motivational factors towards their intention to environmental practices. This study is aimed to provide insights related to the environmental practices among Malaysian companies specifically public listed companies. Questionnaires are distributed via email due to the location of the companies. The collected and usable data for this study is 107 companies. The targeted respondents are those who ranked manager and above from investor relations department.

Literature Review:

The worsening of environmental degradation is a serious problem that our planet is currently facing and the causes are nonetheless due to the over consumption of natural resources which have caused carbon dioxide (CO2) emissions to increase drastically. According to World Health Organization (WHO) (2019), there are more than 3 million deaths recorded in a year due to air pollution. 94% of the deaths are because of heart and lung related diseases.

Locally, Malaysian environment condition is out of equalisation. Environmental degradation issue has been disturbing untouched high which 95% of 1,199 Malaysians believe that climate change is real and 85% believe that it will affect their lives (Chu, 2019). Furthermore, Malaysia's CO2 emissions has been in the increasing trend and recorded at 8.13 in year 2014 for CO2 emissions in term of metric tons per capital (The World Bank, 2019a). The CO2 emissions recorded the highest in Malaysia throughout the year. Continuing high development rates does not compatible to supportable improvement. An inclination for mega projects over more environmentally friendly options disturbed the normal parity of ecosystems in term of water and air quality. It further compromises the general wellbeing, lives and clean environment. This study was prompted and informed by the low participating rate of environmental disclosure score by Bloomberg among public listed companies in Bursa Malaysia. According to Bloomberg (2019), the number of companies which disclosed their environmental practices has been dropped sharply with 75 companies in 2017 to only 27 companies in 2018. In short, this study is aimed to provide insights related to environmental practices intention among companies in the Malaysia and hopes to create awareness among them to adopt environmental practices behaviour.

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This study uses three theories which are theory of planned behaviour (TPB), norm activation model (NAM) and Maslow's Hierarchy of Needs Theory in building the research framework. TPB is being used as the foundation to develop the research framework.

TPB (Ajzen, 1991) is being developed based on the initial theory, Theory of Reasoned Action (TRA) in which behaviour is expected have total voluntary control under the assumption of the theory (Hackman and Knowlden, 2014). According to TPB, three motivational factors which are personnel's attitude, subjective norm and perceived behavioural control (PBC) are the main motivational factors to the intention to conduct the behaviour (Ajzen, 1991). In addition, TPB is also a widely used theory to examine environmental practices related issues (Luu, 2019; Marnewick et al., 2019; Chan et al., 2018; Scalco et al., 2017; Tan et al., 2017; Goh et al., 2017; Wang et al., 2017; Paul et al., 2016; Cordano and Frieze, 2000).

NAM is used to examine altruistic behaviour under social-psychological model (Schwartz, 1977). In the recent decades, NAM has been widely adopted specifically in the area of examining pro-environmental behaviour, for example, the usage of new transportation technology (He and Zhan, 2018; Nordlund et al., 2016) and personnel environmentally responsible voluntary turnout (Han, 2014). Latest studies also found to integrate both TPB and NAM to examine environmental related intention (Gkargkavouzi et al., 2019; Rezaei et al., 2019). Hence, in this study, corporate norm is being included as one of the variables that influencing the environmental practices intention because corporate norm shared the same similarity with personal norms as it is internalised.

Maslow's Hierarchy of Needs Theory Hierarchy of needs theory was developed by Maslow (1943) to describe the needs of individual that inspire his/her behaviour. According to Maslow (1943), there are 5 basic needs for every individual. Among them, are physiological needs, safety needs, love and belonging needs, esteem needs and self-actualisation needs. The final goal of an individual is to achieve self-actualisation needs. In this study, the needs of actualisation are treated as a variable that will positively influence the environmental practices intention.

Source: Chan (2019) The title of this article is not provided due to the nature of the exam question, International Journal of Energy Economics and Policy | Vol 10 • Issue1, 72-80.

(a) Suggest a suitable title for **Passage 2.** (3 marks)
(b) Suggest **Five** variables that used in the study. (5 marks)
(c) Develop a theoretical framework based on the literature of the study. (10 marks)
(d) Based on the title suggested above, describe the method of analysis that you will employ to conduct the study. (7marks)

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Question Four (25 marks)

(a) Discuss the structure of economic data available for economic analysis. (9 marks)

(b) Discuss the methodology of econometrics. (10 marks)

(c) Discuss the differences between theoretical and empirical study. (6 marks)

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